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Accounting and disclosure of football player registrations: Do they present a true and fair view of the financial statements?

A study of Top European Football Clubs

Master's thesis within accounting

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Master's Thesis in accounting

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Abstract

The game of football has transformed from just being a game into a huge economic market attracting investors from all over the world. As clubs spend more and more money on player acquisitions, player registrations (considered intangible assets) now represent a significant part of the total assets of major European football clubs. Due to this, treatment of player registrations has become a significant accounting issue.

The purpose is to analyze and compare from the perspective of an investor, how a sample of European football clubs account and disclose values of player registrations. The purpose aim to answer the questions how and what kind of information each club discloses on their financial statements. Also, are current accounting procedures and disclosure harmonized, and do they present a true and fair view of top European clubs financial status.

A descriptive case study was the most appropriate as it aims to answer the questions "how" and "why". A sample selection filter was set in the beginning of the process together with the research questions. The final sample was set to be: Arsenal FC, Manchester United, Borussia Dortmund, Juventus FC and FC Porto. The purpose of the selection filter was to get a study both fair on economical as well as competitive sports level. Primary data consist of information from annual financial reports, and in order to enhance validity, interviews with professionals have been conducted and used.

Findings show similarities as well as differences in disclosure and treatment of football player registrations. All clubs meet the minimum requirements from IAS 38 and UEFA. However, how and what kind of information each clubs disclose differ substantially and due to lack of valuation models and the possibility to capitalize home-grown players and free agents, the value of player registrations is not presented in a true and fair view.

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İ. Abbreviations

FA	-	Football Association (UK)
FIFA	-	Fédération Internationale de Football Association
FFP	-	Financial Fair Play
Football	-	Called soccer in American english
IAS	-	International Accounting Standards
IASB	-	International Accounting Standards Board
IFRS	-	International Financial Reporting Standards
PLC	-	Public Limited Company
TFV	-	True and Fair View
UEFA	-	Union of European Football Association

1 Introductory chapter

In the introductory chapter, the transformation of football due to increased cost of acquiring new players are presented together with why it has become an up-to-date and significant accounting issue. Problem, research questions and purpose are stated which combined is the cornerstones of this thesis.

1.1 Background

The field of football has changed dramatically during recent years as clubs spend substantially more money on transfers and player registrations (Deloitte, 2013). Historically, professional sport has always been an interesting area for human resource accounting academics, as there is a substantial difference in cost and wages between regular employees (such as: grounds men, stewards and other staff) and the playing staff (players, managers and other staff related to the squad). With today's cost of acquiring a player and other fees related, clubs have been forced to adopt new ways of reporting (Morrow, 1997).

Arsenal FC purchased the German international Mesut Özil in 2013 for £42.500.00,00 (Pitt-Brooke, 2013), which represents 15,2% of the clubs turnover for the fiscal year ended 30th of June 2013 (Arsenal annual report, 2012-13). These kinds of numbers make how clubs account and report transfer related figures more actual than ever before as UEFA, the governing body of European football, strives to ensure economic sustainability and prevent financial doping (UEFA, 2012a).

Also, as more and more countries and organizations are adopting international accounting standards such as the IFRS, harmonization is an important concept in the accounting world. The general view is that information should be easily shown and presented in a comparable way, in order to help potential investors in their decision making process (IASB, 2012).

Research in the field of international accounting has changed during the last decades. Initially, researchers focused on cultural, economic development, industrialization and differences in respective legal systems in order to explain diversity in the way entities treated accounting issues (Gernon & Wallace, 1995). Digital databases containing global financial and market information has changed the focus to accounting

harmonization, also called accounting comparability or accounting convergence, in the strive for global accounting standards (Ryan, Scapens & Theobald, 2002).

IAS 38 (International Accounting Standard 38) covers the treatment of intangible assets. According to IAS 38, intangible assets are non-monetary assets without physical substance and must be identifiable (IASB, 2012). In order for an intangible asset to be identifiable it shall be separable and arise from contractual or other legal rights (IASB, 2012). However, it shall only be recognized if expected to generate future economic benefits and if the cost of the asset can be measured reliably (IASB, 2012).

Players under contract with a club, home-grown or acquired, are expected to generate future economic benefits for the club as they are bound to the club for a certain period of time (Morrow, 1997). Also, players are expected to deliver a service (play games), so the signing of a player is therefore evidence the event has occurred (Morrow, 1997). Normally, the difference between football players and ordinary staff is they are acquired with a transfer fee. It means the cost can be measured reliably and therefore players can be defined as intangible assets according to IAS 38.

As home-grown players are not acquired with a fee, they cannot, according to UEFA, be capitalized on the balance sheet as they do not meet all the criteria's for an intangible asset (UEFA, 2012a). Only direct costs of acquiring a player can be capitalized and should be depreciated over its useful life (in this case, the duration of the players' contract) (UEFA, 2012a). If these rules are not followed, clubs will be fined and possibly excluded from European competitions such as Champions League and Europa League (UEFA, 2012a).

Since the 1960's, human resource accounting has been dominated by two main questions. Firstly, how could human assets be defined as assets on the balance sheet and secondly, can it be valued in a satisfactory way? Traditionally the practice of human resource accounting, in respect of football, has been to exclude any valuation of players bought or developed internally on the balance sheet (Morrow, 1995). Instead the cost of acquiring a player has been charged the loss account, affecting the particular years' result. The increase of transfer fees and wages has made this method untenable for large clubs, as the effect on the result would be too big (Morrow, 1997).

1.2 Problem

The most important asset of a football club is its cultural capital (football skills), reflected by the economic benefits generated by competing in the most prestigious competitions (Cooper, 2013). Due to increased transfer fees, player registrations now represents a significant post on the balance sheet of top European clubs. As a result, treatment of player registrations will have an affect on the overall financial situation generating different conditions for attracting new investors, getting bank loans etc (Morrow, 2003).

Annual financial reports are corporate communication tools targeting stakeholders (Mellemvik, Monsen & Olsen, 1988). Financial reports shall provide information of how well management use its resources and should be a source for decision making by external parties and present a true and fair view of the entity (Mellemvik et al., 1988).

The implementation of the UEFA FFP-regulations is an effect to the expansion of European top football over the last decades (UEFA, 2010). The game of football has transformed from a social game to a big business, attracting foreign investments from all over the world (Cooper, 2013). Increase in transparency, credibility and to force clubs to run their business using only self-generated revenues are some of the objectives of the FFP-regulations (UEFA, 2012a). The overall objective is to create sustainable and harmonized economic conditions in order to prevent economic doping (UEFA, 2012a). Also, the topic of intangible assets is up-to-date in financial accounting research due to its complexity and increased significance on balance sheets (Lhaopadchan, 2010).

1.3 Research questions

The purpose of a financial report is to provide investors with information (Mellemvik et al., 1988). In order for the information to be valid, it has to be presented in a true and fair view (Mellemvik et al., 1988). As player registrations now are a significant part of the clubs' total assets the main question is:

- How do top European football clubs account and disclose player registrations and does it present a true and fair view of their finances?

In order to reach a conclusion, the following questions need to be considered:

- What financial information is given for player registrations?
- How harmonized is the accounting information regarding football player registrations?

1.4 Purpose

As mentioned, top European football is a huge economic market with constant increase in amounts clubs spend on purchasing new players in the strive for success. The purpose of this thesis is to analyze and compare from the perspective of an investor, how a sample of European football clubs account and disclose values of player registrations. Answering the research questions stated in section 1.3 will fulfil the purpose.

1.5 Delimitation

The choice of clubs will be clubs participating in the UEFA Champions League and/or UEFA Europa League 2012-2013, which are listed on regulated markets where shares are available for trade. Due to language barriers, some clubs were left out, as corporate publications were not available in English. The limitation of listed top European clubs enables a comparison that is fair on both financial and on competitive sport level.

1.6 Disposition of thesis

Following the introductory chapter, the frame of references presents the theoretical background. Subsequent to the introductory chapter, methodology, method and data are presented. Findings originating from the data collection are analyzed through different theories and conclusions drawn with the objective to answer the research questions stated in the introductory chapter. Figure 1-1 is an outline of the thesis.

1. Introduction - *In the introductory chapter, the transformation of football due to increased cost of acquiring new players are presented together with why it has become an up-to-date and significant accounting issue. Problem, research questions and purpose are stated which combined is the cornerstones of this thesis.*
2. Frame of references - *This chapter concerns relevant literature regarding the topic of choice. It begins covering modern football economy followed by accounting issues for intangible assets and other accounting and corporate governance sections of importance. The combined literature is the theoretical framework of this thesis.*
3. Method & Data - *This chapter covers the philosophical understanding of methodology and the chosen method for analyzing data. Theory is presented followed by motivations and advantages of the chosen method.*
4. Findings - *In this chapter, clubs will be presented individually where findings on how they treat and disclose player registrations are presented and compared to each other. Following the presentation of each club, a summary of additional information disclosed is presented.*
5. Analysis - *In this chapter, empirical findings will be analyzed and connected to the theoretical framework presented in chapter two.*
6. Conclusion - *In this chapter, we fulfil the purpose of answering the research questions. Conclusions are phrased in a concise manner in order to clearly communicate our standpoints. Also, reflections and further studies are presented.*

Figure 1-1 Disposition of Thesis

2 Frame of references

This chapter concerns relevant literature regarding the topic of choice. It begins covering modern football economy followed by accounting issues for intangible assets and other accounting and corporate governance sections of importance. The combined literature is the theoretical framework of this thesis.

2.1 Introduction to modern football economy

On the 26th of October 1863, a Monday evening on Great Queens Street in London, "organized football" was formed (Cooper, 2012; Sanders, 2013). Gentlemen's from London and suburban clubs met with the objective to form a uniform code for football, due to the fact different clubs and schools played according to their own set of rules (The FA, 2014). The meeting generated the birth of the Football Association (FA), which is still the governing body of English football (Cooper, 2012; Sanders, 2013). The first set of rules was more like rugby compared to the modern football being played in the 21st century. According to Richard Sanders (2013), the modern game of football was born in 1883 when Blackburn Olympic defeated Old Etonians in the FA cup final by passing the ball between players using technical skills instead of crude charging.

The history of the transfer system can be traced back to 1885 when FA required all players to be registered before the start of each season in order to prevent players from switching clubs during the season (Morrow, 1997). This led to the registration itself becoming something that could be sold in its own right (Miller, 1993, cited in Morrow, 1997). A big change to the transfer system came in 1963 when the High Court of Justice (UK) ruled for the player George Eastham in a case against his employer Newcastle United. From that judgment and forward, a club holding a player registration had to offer the player a new contract with at least the same level of compensation for one or two years after expiry. If not, the player would become a free agent, which meant he could sign for a new club regardless of what the old employer thought (Dobson & Goddard, 2001).

A third revolutionary year for international football transfers occurred in 1995 when the European court, in the case C-415/93 between the player Jean-Marc Bosman and his former club *R*oyal Club Liégois SA, decided that players with an expired contract were free to move without a transfer fee (Morrow, 1997). The system before this date was considered to be contrary to European law regarding free movement of labour (Morrow,

1997).

Football club activities could be divided into three main categories: first generating income through ticket sales, broadcasting rights, match day services and sponsorship. Secondly, trading player contracts, and third, developing and improving talent (Szymanski and Kuypers, 1997). But is it that simple? Stephen Morrow (2003) argues that football clubs are uncomplicated organizations, which exist to participate in organized football. However, questions arise of what is participation? Is it required to be successful and what is meant by success? Also, do football clubs have a responsibility only to its own fans and shareholders, or do they in a broader concept have responsibility for their local community (Morrow, 2003)?

A football club could be defined as '*essentially an association of individuals in a way that involves to some degree the factors of free choice, permanence, corporate identity and the pursuit of common aim of some joint interest other than the acquisition of a gain, such as provided by membership of a trade union*' (Martin, 1979, cited in Morrow 2003, p. 74).

The debate has, during recent years, become more and more intensified as income and financial rewards of football clubs have spiked (Deloitte, 2013). Different interest between football's stakeholders (shareholders, members, supporters and so on) has been highlighted. Conflicts have arisen between supporters and investors as more and more clubs are being listed on the Stock Exchanges. Their interest and motivation of the club differs and even the word "plc" (public limited company) being used as a swear word amongst supporters (Bose, 1999).

Due to difference in culture, political and legal traditions in European countries means ownership and control structure are historically not the same (Demirag, Sudarsanam & Wright, 2000). Financial institutions are the dominant shareholder in the UK, while in Italy family own firms remains the dominant part (Becht & Mayer, 2001).

2.2 IAS 38 - Intangible Assets

An asset could be either tangible (machines, equipment etc.) or intangible. Intangible assets are a broad concept - it could for example be scientific or technical knowledge, licenses, trademarks or intellectual capital (IASB, 2012). IAS 38 is a framework, dealing with various issues of intangibles, with the objective to prescribe accounting treatments for these. In order to determine if an asset is tangible or intangible various criteria's are to consider. Tangible assets are treated under IAS 16 Property, Plant and Equipment (IASB, 2012). However, a software program (intangible) for a computer-controlled machine (tangible) is classified as property if the machine cannot be operated without it and classified as an integrated part of the machine. If the software is not related to any hardware it is treated as an intangible asset (IASB, 2012).

In order to define an intangible asset, one has to consider different criteria's. It should be identifiable, which means it must be separable from the entity through sale, rent, transfer or exchange and arise from contractual or other legal rights (IASB, 2012). Also, the entity must control the asset - in this case have the power to obtain future economic benefits (usually originating in legal rights) (IASB, 2012). Future economic benefits can be revenue or cost savings. In order to recognize an intangible asset it must first meet the definition criteria and secondly, meet the recognition criteria (IASB, 2012). The recognition criteria are divided in two main parts: (IASB, 2012)

1. The intangible asset will probably generate future economic benefits to the entity and;

2. The cost of the asset could be measured reliably.

In order to asses the future economic benefits, an entity shall use reasonable and supportable assumptions representing management's best estimate of the economic conditions during the useful life of the asset on the basis of evidence available at the time of initial recognition (IASB, 2012).

Usually, the cost of an acquired intangible asset can be measured reliable, especially when there is a fee in form of cash or other monetary assets (IASB, 2012). The cost comprises of its purchase price and costs of preparing the asset for use (IASB, 2012). For example: fees arising from bringing the asset to its working condition, costs of employee benefits and cost of testing the asset (IASB, 2012).

Compared to acquired intangible assets, there are several problems assessing internal intangibles. Firstly, identifying when and whether the asset will generate future economic benefits are difficult (IASB, 2012). Secondly, determine the cost of the asset is hard as it could be difficult to distinguish from day-to-day operations (IASB, 2012). In assessing whether or not an internal intangible asset meet the recognition criteria one have to consider if it is a) in the research phase or b) in the development phase (IASB, 2012). Assets in the research phase shall, according to IAS 38, not be recognized, as it cannot be shown the asset will generate future economic benefits (IASB, 2012). An asset in the development phase shall be recognized by the entity only if the entity: (IASB, 2012)

1. Has the ability to complete the intangible asset so it could be used or sold

2. Has the intention to use or sell the asset

3. Has the ability to use or sell the asset

4. Can show how the asset will generate future economic benefits. It could for example be demonstrating an existing market for the intangible asset.

5. Has the technical, financial and other resources to complete and/or sell the asset

6. Has the ability to measure the expenditure to the asset during the development phase

According to IAS 38, an entity's cost system can often measure reliably the cost of an internal intangible asset. It could for example be the salary cost developing the asset (IASB, 2012).

The useful life of an intangible asset is either finite or indefinite (IASB, 2012). If there is no foreseeable time period for which the asset will generate economic benefits it is regarded indefinite (IASB, 2012). Finite intangible assets shall be amortized and indefinite intangible assets shall not (IASB, 2012). If the asset arises from contractual or legal rights, the useful life shall not be longer or exceed the period of the contractual or legal rights (IASB, 2012). Renewals are allowed as long as there is not a significant cost of doing so (IASB, 2012). The amortization of an intangible asset with a finite useful life should be allocated systematically over its useful life and reviewed after each fiscal

year, beginning when the asset is ready for use and cease when sold (IASB, 2012). The residual value of an intangible asset with finite useful life is assumed to be zero unless: (IASB, 2012)

1. A commitment, by a third party, of purchasing the asset after its useful life exist; or

2. An active market exists and residual value can be determined and the market will still exist after the useful life of the asset.

Paragraph 118-125 contains how and what kind of information an entity shall disclose on the financial report. Following shall be presented: (IASB, 2012)

1. If the useful life is finite or indefinite and the amortization rates used

2. Amortization methods used

3. The gross carrying amount and accumulated amortization with regards to impairment losses

4. A reconciliation of the carrying amount including:

    a) Additions

    b) Assets held for sale

    c) Increases or decreases resulting from revaluations and impairment losses

    d) Impairment losses recognized or reversed during the period

    e) Amortization recognized

    f) Exchange difference if translated into presentation currency

    g) Other changes in the carrying amount

Intangible assets are considered a complex area that receives too little attention by accounting professionals and regulators (Lonergan, Stokes & Wells, 2000). These types of assets have been a dominant part of the total assets in today's' companies. However, it is not reflected in the financial reports where focus is on tangible assets and not

intangibles (Lonergan et al., 2000). By applying IAS 38, Lonergan et al., (2000) argues amounts will be reduced due to lack of revaluation options and by the demand of amortization over a definite time period. The adoption of IAS 38 may increase reliability of the financial reports but it may also decrease the relevance, as investors must seek information from other sources in order to get the full picture of the company (Lonergan et al., 2000).

2.3 Fair value accounting

Standards of accounting have changed significantly over the past decades. Changing from historical cost accounting to promote market value accounting in order to communicate an up-to-date value of companies' balance sheet to investors and other stakeholders (Lhaopadchan, 2010).

Historical cost accounting is likely to create hidden reserves since the value of an asset is not re-valued to the conditions of the market (Laux & Leuz, 2009). Market-value-accounting uses the term *fair value* which is explained by 'IFRS 13 - Fair value Measurement' to be '*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date*' (IASB, 2012, p. B907).

The objective of implementing a fair value measurement is to publish the price for an asset if it was to be disposed through a transaction between market participants at the date of measurement (IASB, 2012). According to IASB (2012), the aim is to promote market-based instead of company-specific measurements. One of the effects using fair value accounting instead of historical cost accounting is increased volatility due to different valuation by market participants at different times (Schipper, 2005). Comparability of accounts is of importance, which is why standard setters reach for a solution where equal or close to equal assets are valued the same at the measurement date (Soderstrom & Sun, 2007).

The term "true and fair view" (TFV), published in the fourth directive 78/660/ECC by the European Commission (EC) in 1978, was a step to harmonize accounting in Europe. The aim of TFV reporting is to provide comparable unbiased information, reflecting activities taken by the company (Ekholm & Troberg, 1998). Soderstrom and Sun (2007) describes the terminology 'true and fair view' from the fourth directive as a principle

guiding the format and measurement of financial reporting. Lhaopadchan (2010) raises the issue of accounting of intangibles. He states the complexity of this asset class have made it to one of the most intractable issues in accounting, and through that, widely discussed in financial accounting research around the globe.

2.4 Human Resource Accounting

During the last 70 years, accountants have recognized the value of human assets, considering it as a production factor and explored different ways of measuring it. According to Conner (1991), the most specific asset of an enterprise is its personnel, as their knowledge is used in the production process and would explain why some firms are more productive than others. With the same assumption, a strong team of human resource makes all the difference (Archel, 1995, cited in Barcons-Vilardell, Moya-Gutierrez, Somoza-Lopez, Vallverdu-Calafell & Griful-Miquela, 1999).

According to the article "Human Resource Accounting" (Barcons-Vilardell, Moya-Gutierrez, Somoza-Lopez, Vallverdu-Calafell & Griful-Miquela, 1999), there are two reasons for including human resources in accounting. First, people are considered valuable to the firm as long they perform quantifiable services. Secondly, the value of an employee depends on how he/she is employed, meaning management style will affect the human resource value.

However, football players are not "regular employees". According to Robinson (1969), investment in human capital opposed to investment in property lies in the fact that people cannot be sold. The transfer system, in which players can be bought and sold regardless of level and nationality, is an exception of this rule. The implementation of the transfer system in 1885, to prevent players from switching clubs during the season, resulted in the registration itself becoming something that could be bought and sold (Miller, 1993, cited in Morrow, 1997).

2.5 Disclosure theory

Financial statements should, according to IAS 1, present a fair view of the company and be a base for economic decisions by a wide group of users (IASB, 2012). Healy and Palepu (2001) argue that corporate disclosure originates from the demands of investors with no insight in daily activities, and that it is fundamental for modern capital markets. IASB's objective regarding disclosure of corporate information is to ensure comparability of statements between companies, and also between statements from different periods (IASB, 2012).

Corporate information including performance measurements, ownership and governance should be disclosed in a way where all investors have access to the same information at the same time. Disclosure of positive as well as negative information should be given in order to communicate the actual situation for the company (Mallin, 2013). However, Clatworthy and Jones (2003) state good news is communicated in a wider extent compared to bad news, which is left aside.

Corporate governance codes and International Accounting Standards aim to improve information asymmetry between companies and stakeholders in order to increase the level of understanding for strategies and activities taken by companies (Mallin, 2013). However, there are significant variations in accounting quality among countries, generating different conditions for stakeholder to grasp the meaning of corporate documents and this is why EU strives for a harmonized accounting climate via IFRS and IAS (Soderstrom & Sun, 2007). Regulated requirements of disclosure generates a standard of reporting which enables understandability of the market due to the usage of a harmonized language (Healy & Palepu, 2001).

2.6 UEFA club licensing and Financial Fair Play regulations

The introduction of the FFP-regulations is a direct response by UEFA to curb recent development where clubs during recent years, despite increased revenues, have experienced substantial losses. Clubs continuously spend more than they earn which is reflected in their balance sheets. Approximately a third of all top-clubs in Europe disclosed negative equity in 2010 (UEFA, 2010).

The main aim of FFP is to improve economic capability and increase transparency and credibility (UEFA, 2012a). FFP consists of several rules and regulations, two of which is of major importance: 1) the break-even requirement, specified in article 58-63 and 2) the enhanced rules concerning overdue payables (Art. 65-66). The break even requirement force clubs to operate within their means arising from revenue and the enhanced overdue payables rules encourage clubs to settle their debts when due.

Instead of being the governing body, UEFA has placed the responsibility of ensuring rules and regulations to be followed to the member associations (UEFA, 2012a). There is five criteria's set in order to be granted a license by UEFA: Sporting criteria, infrastructure criteria, personnel and administrative criteria, legal criteria and financial criteria. Our focus will be on the financial criteria.

Regarding reporting and financial disclosure, UEFA requires clubs to follow specific rules (Article 47, p. 25, UEFA, 2012a) related to what the balance sheet should consist of, auditing and clarity. According to UEFA, each class of intangible assets should be disclosed separately (e.g. goodwill, player registrations and other intangibles). For each class, the gross carrying amount and accumulated amortization should be disclosed for the beginning and end of each fiscal year. Also, '*a reconciliation of the carrying amount at the beginning and the end of the period, showing additions, disposals, decreases during the period resulting from impairment losses recognized in the profit and loss account during the period (if any) and amortization*' should be disclosed (UEFA, 2012a, p. 55).

Financial reporting and disclosure should follow local legislation for incorporated companies using either respective country's accounting standards or the International Financial Reporting Standards (IFRS) (UEFA, 2012a). Also, financial statements must be prepared under the assumption that the entity will continue its operations for the foreseeable future (UEFA, 2012a).

Clubs can chose whether or not to capitalize a player registration as long as it is permitted under their respective national accounting standard. If capitalized, the minimum requirements set by UEFA are (Annex 7, pp. 62-63, UEFA, 2012a):

1. The depreciable amount must be allocated over the players' useful life, in this case the length of the contract.

2. Only direct cost related to the player acquisition is permitted to be capitalized and may not be revalued upwards. Also, cost regarding the club's youth sector is not permitted to be capitalized, but only the cost of purchased players.

3. Amortization must begin when the player is acquired and cease when the player is sold or transferred to another club.

4. All values of capitalized players must be reviewed individually each year for impairment by management. If the amount is lower than what is stated on the balance sheet, it must be adjusted to the recoverable amount.

Rules are also set relating to player disposals (Annex 7, p. 63, UEFA, 2012a):

1. The profit or loss of the disposal of a player should be recognized on the profit/loss account.

2. Any profit resulting from retaining a player contract may not be recognized on the profit/loss account.

If the requirements above are not met, the applicant must prepare additional information including a restated balance sheet, profit/loss account and associated notes (UEFA, 2012a).

When capitalizing a player acquisition, the club must prepare a player identification table including (Annex 7, pp. 63-64, UEFA, 2012a):

1. Name and date of birth

2. Start and end date of the contract

3. The direct costs related to the player acquisition

4. Accumulated amortization brought forward and as at the end of the period

5. Expense/amortization in the period

6. Impairment cost in the period

7. Disposals (cost and accumulated amortization

8. Net book value (carrying amount); and

9. Profit/(loss) from disposal of player's registration

The figures in the player identification table must agree with the figures presented in the balance sheet. However, the player identification table must only be presented to the auditor, but the club may chose to include it in the financial report (UEFA, 2012a).

Each club has a responsibility to have a written youth development program with at least one team including players younger than ten years old. Also, at least one head coach with the sole responsibility of the youth sector must be appointed (UEFA, 2012a).

In order to participate in UEFA Champions League and/or UEFA Europa League, each club has to register a minimum of eight "locally trained players" of a total 25 (UEFA, 2012b; UEFA 2012c). A "locally-trained player" is defined as either "club-trained" or "association-trained" (UEFA, 2012b; UEFA 2012c). A "club-trained player" is a player who is between 15 and 21 years old and has been registered with his current club for three consecutive seasons or more (UEFA, 2012b; UEFA 2012c). An "association-trained player" is a player between the age of 15 and 21, who has been playing for three consecutive years with his current club or with other clubs in the same association (UEFA, 2012b; UEFA 2012c). No more than four of these eight players may be "association-trained players" (UEFA, 2012b; UEFA 2012c).

2.7 Agency & Stakeholder theory

Agency theory is the description of the relationship between owners and management of a company and is a concept within corporate governance (Mallin, 2013). Management is called agents who act on the behalf of the principals, who are the owners of the company and possesses voting power (Jensen & Meckling, 1976). The basic idea of agency theory is the agents shall try to use the resources of the principals in the most efficient way in order to generate economic yield for the owners (Jensen & Meckling, 1976; Schrieffer & Vishny, 1997).

The corporate concept Stakeholder theory is an extension of the agency theory. The stakeholder theory includes the relationship between owners and management, but take into consideration a wider group of constituents. Stakeholders are a group or individuals who are, or can be affected of the companies activities (Mallin, 2013). Mallin (2013) gives examples of stakeholders as employees, supporters, local community, providers of

credit, customers and others affected by activities taken by the company.

Freeman (2010) argues, in today's business, in order to be successful, you need to fulfil the combined interest of stakeholders and not one stakeholder in isolation. His view of corporate governance is in line to what Mallin (2013) states, that many companies tries to increase value for a wide group of stakeholders and not just for its shareholders. Having a good relationship with supporters, employees and the community could be just as important as having control of the economic climate for the club (Morrow, 2013).

Freeman (2011) raise the question if business success is solely profitability or if it could include a wider perspective including value for community and other stakeholders who do not have an financial interest in the company. The interaction between companies and its stakeholders can generate new business opportunities due to value creation for stakeholders (Freeman, 2011). It does not have to be in a direct way, but indirect leading to stability and long term growth (Freeman, 2011). Companies (management) shall serve its stakeholders with reports and other valid information in order to promote trust (Inwinkl, Wallman & Josefsson, 2013).

3 Method & Data

This chapter covers the philosophical understanding of methodology and the chosen method for analyzing data. Theory is presented followed by motivations and advantages of the chosen method.

3.1 Methodology

Methodology does not provide solutions, but is the underlying set of principles that determine what methods are used for a specific case (Svenning, 2003). Ryan, Scapens and Theobald (2002) states researchers should evaluate multiple methodologies and be open minded to what different methods can contribute.

The word epistemology derives from the Greek language meaning knowledge, or theory of knowledge (Oxford dictionary, 2010). For researchers, epistemology is an approach concerning what kind of information that should be treated as acceptable knowledge, which differs depending on the type of research being studied (Bryman 2012). There are two main viewpoints of epistemology guiding research: interpretivism and positivism (Ritchie and Lewis, 2003). The interpretivist approach focuses on the impact between the social world and the researcher. Facts are inevitable influenced by the perspectives and values of the researcher, making it impossible to achieve objective research (Ritchie and Lewis, 2003). Positivism however, should to a close extend, reflect the views of natural science (Blaxter, Hughes & Tight, 2010). The objectivity of the researcher is of high importance in order to reach conclusions as close to the 'truth' as possible and positivism is highly correlated to quantitative research (Blaxter et al., 2010).

Following deciding the guidance of the research, we select approach to acquire knowledge. Influencing the design of the research project, one should consider two main approaches: deduction and induction (Ritchie & Lewis, 2003). The inductive approach search for patterns from observations of the world and is more linked to social science and the understanding how humans interpret their social world (Ritchie & Lewis, 2003). Due to less rigid methodology, the inductive approach allows more alternative explanations of what is going on and a small sample is usually more appropriate (Sounders, et al., 2012).

Social research can be conducted through two main designs, quantitative or qualitative research (Sounders, et al., 2012). The main difference between the two perspectives is quantitative research transforms information into numbers in order to reach statistical validity, while interpretation of data by the researcher is the main focus of qualitative studies (Holme & Solvang, 1997). A focus of words and contents in qualitative research, instead of numbers, is the most obvious difference compared to qualitative ones (Bryman, 2012). This thesis is based on qualitative research strategies where the content of words will be of focus rather than a big sample of numbers.

Our starting point is in line to what Ryan et al. (2002) states, that researchers should be open-minded to what different methodologies could contribute. During the process of methodology writing we developed a pattern and there through decided the choice of method. As we study a small sample of clubs, an interpretivist stance was taken and the inductive approach was the most appropriate in order to answer our research questions due to their not absolute nature. Also, the interpretivist stance is more appropriate as focus is on doing an in-dept research which invietable is influenced by our own perspectives and values. A qualitative research evolved where the content of words are of high importance instead of a large sample of numbers due to the explanatory nature of this thesis.

3.2 Method

According to Svenning (2003), in order to answer research questions, choosing appropriate method is essential for success. The process started with a wide perspective followed by the decision of focusing upon football player registrations on an international level. The clear sample selection process generated early focus on the five clubs, and from the initial starting point to final conclusions, issues were dealt with back and forth. Gathering substantial theoretical framework was of high importance to grasp the topic of choice. Time spent on theoretical research and conducting the research design was comprehensive in order to generate an end product of high quality and with a high degree of trustworthiness.

3.2.1 Research design

The use of case studies within accounting research has increased in numbers (Ryan et al., 2002). Descriptive case studies try to describe how techniques, procedures and accounting systems are used by practitioners (Ryan et al., 2002). A sample of practitioners is selected in order to show similarities or differences in their interpretation of accounting practice. The result of descriptive case studies provides information of how standards of accounting are being used in practice (Ryan et al., 2002).

In order to get in-depth knowledge of how football clubs on the highest level present and account intangible assets (players), a descriptive case study was appropriate. For a case study to hold, an inductive research approach needs flexibility and adaptability (Saunders et al., 2007). The interpretive viewpoint, which is in line with qualitative methods, has been used as it assumes there are several possible interpretations of the same data (Eriksson & Kovalainen, 2008). It made it possible to explore motivations and underlying assumptions beyond the spoken word. According to Bryman (2008), a case study is often a combination of qualitative methods such as observations, focus groups and interviews. A case study is appropriate when answering the questions "how" and "why" with focus on up to date events (Yin, 2009). According to Svenning (2003), different sources of information show more subtle details and a deeper understanding. Mostly, in a descriptive case study, multiple sources of evidence are necessary in order to answer the research questions. These could be artefacts, questionnaires, interviews, observing actions and meetings and assessing the outcomes of actions (Ryan et al., 2002).

3.2.2 Sample selection process

The selection of clubs was conducted through purposive sampling, which is a form of subjective sampling. Purposive sampling is a method where the researchers have their research questions in mind and sample in a strategic way based on criteria's set by the researchers, not on random terms (Bryman, 2012).

Hamil and Chadwick (2010) describes three different ownership structures for international football clubs, (1) 'the supporter trust model of ownership', (2) 'the foreign investor model of ownership' and (3) 'the stock market model of ownership'.

The Spanish giants Real Madrid and FC Barcelona are examples of clubs owned by its members (the supporter trust model of ownership) who elects a president every fourth year and it is not possible to buy shares in the club. Instead a 'one member one vote principle' is applied (Hamil & Chadwick, 2010).

Chelsea F.C, Manchester City F.C and Paris Saint Germain F.C are examples of clubs owned by foreign individuals or a corporate group. This type of ownership structure has become increasingly common among European football clubs due to commercialization of the sport, and that prior equity owners have not managed to invest in the scale needed for competing on top European level (Hamil & Chadwick, 2010).

Clubs with shares available for trade were an important factor set in the beginning of the process since the perspective of an investor was taken. Hamil and Chadwick (2010) states the stock market model of ownership has a high level of transparency since the club must publicly reveal their financial situation to the market and its dispersed owners.

A selection filter was set in the beginning of the process together with the research questions. The purpose of the selection filter was to get a study both fair on economical as well as competitive sports level.

Selection filter:

- Clubs participating in either UEFA Champions League 2012-13 or UEFA Europa League 2012-13.
- Clubs that are corporations listed on a regulated market with shares available for trade.
- Clubs where corporate documents such as annual reports are available in English.

The sample selection process started with a total of 56 clubs (32 Champions League + 24 Europa League). From that position, clubs were excluded due to no shares available for trade through either supporter trust model of ownership or foreign ownership controlling 100% of the outstanding shares.

Financial statements from AFC Ajax, Galatasaray S.K, Fenerbahçe S.K and FC Copenhagen were only published in their local languages and excluded due to lack of language competence by the authors. Aside from language barriers, these four clubs fulfilled the other two criteria for participating in the study.

Due to these circumstances, the final sample was set to be as figure 3-1 illustrates:

Figure 3-1 Clubs participating in the thesis

3.2.3 Data collection

In the process of collecting data, the Jönköping University library and electronic sources, mainly annual reports derived from respective football clubs' websites and other databases such as transfermarkt.com have been used. Selecting and reviewing data is of high significance in order to answer the research questions in a legitimate manner. According to Ryan et al. (2002), the researcher of a case study has to be aware of evidence emerging out of the case and if important, allow these theories and issues rather than being imposed on it. Academic journals, news articles and interviewing people with professional insight have provided valuable additions used to deepen understanding, and have been of significance in retrieving new knowledge.

The primary data consist of information taken from the selection of football clubs' annual reports. Primary data is data collected by the researchers with a direct purpose of those responsible for the data collection (Bryman, 2012). Information presented in these reports has been used in order to calculate and create new figures in order to explain and answer the research questions. Information in databases about player transfer history has been used to calculate and present numbers related to our subject.

The research began with reviewing each clubs' annual report for the year 2013. Information presented was then compared and differences acknowledged. Substantial differences were found between how clubs reported and presented intangible assets, which was later confirmed. Creating variables from figures presented in the reports was conducted and compared between selected clubs. Through interviews we have broadened our knowledge and used the information acquired to enhance substance and validity of our thesis. Interviews were conducted through meeting, e-mail and by phone, as two of the interviewees were based in the UK at the time.

Analysis of data is not the same in qualitative as it is in quantitative research. In qualitative data analysis, the level of established and globally accepted rules is not near the situation for quantitative analyses, where statistical methods for zeros and ones are grounded (Bryman, 2012).

Notes from annual reports were examined in detail in order to present both similarities and differences in treatment of player registrations. Numerals as well as content of words were analyzed, using information provided in the theoretical framework to extract valid and accurate conclusions.

In order to identify potential similarities and differences amongst the clubs, a scoreboard was created with carefully selected parameters. The scoreboard aim to point out similarities and differences in how and what the clubs present in their financial statements, starting with mandatory disclosure from UEFA followed by other identified information parameters. The information acquired was used as the base of the empirical findings and thereafter analyzed. In order to further enhance the validity of the work, the scoreboard is attached in appendix 4.

3.2.4 Interviews

Interviews can be used in order to extract information from professionals in both qualitative and quantitative studies (Firmin, 2008). How interviews are prepared, and what the purpose of the interviews are, differs a lot between the two research methods. Qualitative interviews tend to be less structured compared to quantitative ones (Bryman, 2012). Focus lies in extracting the interviewee's standpoint regarding the issue being discussed, while the purpose of an quantitative interview is to generate answers that can

be transformed into statistical data (Bryman, 2012).

There are two main types of interviews in the field of qualitative research, (1) unstructured interview and (2) semi-structured interview (Bryman, 2012). The unstructured interview is not far from the characteristics of an open conversation (Burgess, 1984), where the researcher have prepared a topic for discussion, but the discussion between researcher and interviewee decides the direction for the interview with the purpose of extracting the perceptions of the professional regarding the topic of interest (Firmin, 2008). A semi-structured interview is an approach where the researcher has prepared a list of questions that shall be covered during the interview, but the order is not fixed (Ayres, 2008). The researcher adds questions based on the answers from the interviewee in the strive of getting useful and in-depth information regarding the topic being discussed (Bryman, 2012).

A semi-structured interview approach was used and questions were prepared in advanced. As an open discussion was preferable, prepared questions were used as guidelines. The objective was to extract information regarding current disclosure and valuation of player registrations, and to get professional insights in the field of examination to generate content and professionalism. Questions to each interviewee were sent in advance so they could prepare answers to the selected questions in order for the interview to be as smooth as possible. According to Ryan et al. (2002), interviews should be tape-recorded or notes taken at the time. Notes were converted to a more formal record after each interview in order to get as accurate information as possible. To confirm and out of respect to the interviewees, each one of them has been sent a copy for approval. After approval from all, the final version could be finalized.

The time between each interview was more than a month, and during this period, our knowledge evolved as we learned more about the topic at hand. Due to this, our prepared questions changed, as we wanted to get answers to questions unknown from the beginning. It ultimately led to a semi-structured interview, as questions asked depended on our knowledge at the time. For the full list of prepared questions, see appendix 1, 2 and 3.

The first person interviewed was Erik Gozzi, senior manager of auditing at Deloitte AB Stockholm. Erik started his career at Deloitte in 2005, and has since 2011 been a part of

the Sport Business Group working with consulting of sport assignments. The interview was held at the headquarter of Deloitte AB in Stockholm, February 17 and lasted for 70 minutes. Pre-set questions were discussed followed by an open discussion regarding the topic of choice. Erik provided useful thoughts due to his high level of accounting knowledge combined with the knowledge of football economics. As a bonus, Erik enabled contact with Alexander Thorpe and Chris Stenson who are accountants located in Manchester (UK), working for Deloitte Sport Business Group UK.

The second interview was conducted through a conference call with Chris Stenson and Alexander Thorpe due to the distance between Sweden and the UK. They were interviewed due to their knowledge of football economics on an international level since the Sport Business Group in UK have a close business relation with top clubs in UK as well as insights in top European football. Their in-depth knowledge of international football provided useful insights further presented in the empirical findings. Stenson and Thorpe were not able to comment on the UEFA rules and regulations since the two organizations have a close business relation to each other.

Questions were sent prior to the interview in order for them to be prepared and increase the quality of the conversation. The interview lasted 40 minutes where the prepared questions were discussed followed by an open discussion.

The third and final interviewee was Kjell Sahlström, head of finance at the Swedish Football Association. Kjell Sahlström is highly competent in the field of economics and football, having a background as controller, financial manager and has worked within football organizations for more than 30 years. Due to difficulties in finding an occasion to meet and by suggestion from Mr. Sahlström, questions and answers were communicated via e-mail. Kjell Sahlström contributed with useful thoughts from a different perspective (football association instead of privately held company) compared to the first two interviews that were conducted.

3.2.5 Trustworthiness

The research of determine quality in qualitative research has not yet been solved. According to Flick (2009), one can either apply classical criteria such as validity and reliability or develop new “method-appropriate criteria” constructed from specific

theoretical backgrounds. However, discussions whether or not reliability and validity are relevant has occurred (Bryman, 2012).

According to Golden-Biddle and Locke (1993), in order for a case study to be convincing the text need to have authenticity, plausibility and criticality. To achieve authenticity, the researcher needs to demonstrate interpretations are grounded in the case. Authenticity is achieved by providing rich details of the case and assuring the text gives a sense of the author being there. Also, the use of quality data and extensive evidence will enhance authenticity (Ryan et al., 2002).

In order to achieve authenticity, a lot of effort was put in presenting information of the football industry as a whole and details of people interviewed. Also, substantial knowledge is presented about the rules and regulations for European football clubs in order to make it easier for the reader to understand. Plausibility could be dangerous for the research as the researcher tends to see what he or she expects and to avoid this, the researcher should look for evidence that contradict his or her owns (Ryan et al., 2002). In order to enhance plausibility, the text has to make sense to the reader and display a high level of knowledge (Ryan et al., 2002). This is why an in-depth knowledge and background of the football industry has been presented. We argue, in order to understand the research questions, the reader needs to know how the economics of football works and the difference between a football club and a "regular" organization. The criticality part relates to new possibilities created by the thesis. It could be new ideas or theory, which have implications both on the case itself and also providing new insight that can be used by other case studies (Ryan et al., 2002).

Another problem in case study research is the difficulty in creating boundaries around the subject as the interpretive perspective focuses on the importance of locating accounting practices within the wider context, such as organizational, economic and social systems of which the entity is a part of (Ryan et al., 2002). Eriksson and Kovalainen (2008) also address this issue and states the researcher defines the boundaries by transforming the object of study into an object of interpretation and understanding. However, with this point in mind, it is important the researcher assesses the criteria's used to set boundaries carefully (Eriksson & Kovalainen, 2008). To deal with this issue, the selection process was limited to clubs only participating in UEFA

Champions League and/or UEFA Europa League, and focused on the investor instead of taking all stakeholders into account.

4 Findings

In this chapter, clubs will be presented individually where findings on how they treat and disclose player registrations are presented and compared to each other. Following the presentation of each club, a summary of additional information disclosed is presented.

Figure 4-1 show the percentage of player registrations compared to the total assets of respective club. As one can see, these numbers represents a significant part of the total assets as it is spread between 9.96% (Dortmund) and 33.42% (FC Porto).

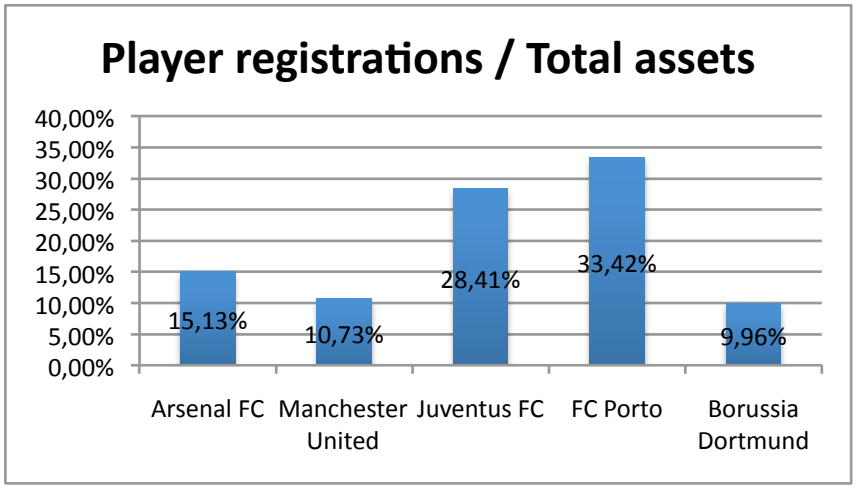

Figure 4-1 Player registrations to total assets of respective club

The empirical findings show similarities as well as differences in disclosure and treatment of football player registrations. All clubs meet the minimum requirements from IAS 38 and UEFA regarding gross carrying amount, accumulated amortization, additions and disposals. But as presented in the following sections, what kind of information and how it is presented differs substantially.

4.1 Arsenal FC

How Arsenal FC presents the value of player registrations in their notes is shown in figure 4-2. It is in line with the minimum requirements from IASB and UEFA. Only the total cost of acquired players in the beginning and end of the fiscal year is presented with adjustments for additions and disposals. The numbers represent the change from May 2012 to May 2013, which is the period for their financial year. Players are not reported separately, instead bundled into a group representing the total value of the

contracts. Amortization is presented similarly, with the total amount in the beginning and end of the period, adjusted by disposals and impairment.

12. INTANGIBLE FIXED ASSETS

	£'000 £'000
Cost of player registrations	
At 1 June 2012	189,685
Additions	58,693
Disposals	(13,071)
At 31 May 2013	235,307
Amortisation of player registrations	
At 1 June 2012	103,977
Charge for the year	41,349
Impairment	4,740
Disposals	(11,329)
At 31 May 2013	138,737
Net book value	
At 31 May 2013	96,570
At 31 May 2012	85,708

Figure 4-2 Arsenal FC note of player registrations (Arsenal Holdings Plc, 2013. p. 50)

Arsenal FC provides additional information on their thoughts of the cost of player registrations. They clearly state, as seen in figure 4-3, the net book value of player registrations will not reflect, nor it is intended to, the market value of these players. It is also stated that players developed through the groups youth system are not accounted for, and the realizable value of intangible fixed assets are considered to be significantly greater than their book value.

The figures for cost of player registrations are historic cost figures for purchased players only. Accordingly, the net book amount of player registrations will not reflect, nor is it intended to, the current market value of these players nor does it take any account of players developed through the Group's youth system.
The directors consider the net realisable value of intangible fixed assets to be significantly greater than their book value.

Figure 4-3 Arsenal FC, comment of book value of contracts (Arsenal Holdings Plc, 2013. p. 50)

4.2 Manchester United

Figure 4-4 is a copy of Manchester United's presentation of player registrations. The cost in the beginning and end of each period is presented with respect to additions and disposals during the same period. Amortization is presented in a similar way, with the total value in the beginning and end, showing additions and disposals. The net book value is calculated by adding new player registrations and deducting amortizations and disposals. Their way of reporting is in line with the minimum rules and regulations stated by IASB and UEFA. No additional comments are made to enhance understandability for the reader.

15 Players' registrations

	£'000
Cost	
At 1 July 2011	293,370
Additions	23,247
Disposals	(9,800)
At 30 June 2012	306,817
Accumulated amortization	
At 1 July 2011	163,661
Charge for year	38,262
Disposals	(7,505)
At 30 June 2012	194,418
Net book amount	
At 30 June 2012	112,399
Net book amount	
At 1 July 2011	129,709
Cost	
At 1 July 2012	306,817
Additions	51,175
Disposals	(40,247)
At 30 June 2013	**317,745**
Accumulated amortization	
At 1 July 2012	194,418
Charge for year	41,714
Disposals	(38,334)
At 30 June 2013	**197,798**
Net book amount	
At 30 June 2013	**119,947**

Figure 4-4 Manchester United note of player registrations (Manchester United Plc, 2013. p. F33)

4.3 Borussia Dortmund

Figure 4-5 is a picture of the note for intangible assets in the annual report of Borussia Dortmund 2013. All disclosed information of their intangible assets are covered on one page, where the table below sums up the changes for the financial year 2012/2013 as well as 2011/2012. Player registrations are bundled and no information regarding the value of individual contracts are given. Additions and disposals are presented, but the underlying information about who and what economic effect the transaction has brought, is not presented to the reader. However, if the reader goes back to the "group management report" (page 93), transfer information during the period is presented where the reader can extract that the transfer of Mario Götze to Bayern Munich generated a significant increase in transfer income for Borussia Dortmund during 2012/13. Still, profit and/or loss for individual disposals are not presented. Borussia Dortmund displays Information concerning two accounting periods, 2011-2012 and 2012-2013.

Changes in intangible assets were as follows:

EUR '000	Player registrations
Cost	
As at 30 June 2011	40,187
Additions	18,685
Disposals	8,779
As at 30 June 2012	50,093
Additions	20,420
Disposals	11,513
As at 30 June 2013	59,000
Depreciation, amortisation and write-downs	
As at 30 June 2011	21,855
Additions	8,467
Disposals	5,884
As at 30 June 2012	24,438
Additions	11,545
Disposals	5,333
As at 30 June 2013	30,650
Carrying amounts	
As at 30 June 2011	18,332
As at 30 June 2012	25,655
As at 30 June 2013	**28,350**

Transfer income

In the 2011/2012 financial year, EUR 26,130 thousand in transfer income was generated primarily from the transfers Shinji Kagawa to Manchester United and Lucas Barrios to Guangzhou Evergrande. In 2012/2013 transfer income rose by EUR 25,470 thousand to EUR 51,600 thousand. In addition to Mario Götze, who exercised a contractual release clause and transferred to FC Bayern Munich, the following players also left Borussia Dortmund: Ivan Perisic (VfL Wolfsburg), Leonardo Bittencourt (Hannover 96), Chris Löwe (1. FC Kaiserslautern), Felipe Santana (FC Schalke 04) and Daniel Ginczek (1. FC Nürnberg).

In addition, Moritz Leitner was loaned to VfB Stuttgart for the next two seasons.

Figure 4-5 Borussia Dortmund, note of player registrations and comment of transfers (Borussia Dortmund GmbH & Co. KGaA, 2013. p. 134)

4.4 Juventus F.C

Juventus FC has a comprehensive reporting of their player registrations. Note 8 in their Annual Financial Report 2013 covers treatment of player registrations, and is presented descriptively and thoroughly on six pages.

Amounts in thousand of Euro	Professionals	Player-sharing agreement payable	Player-sharing agreement	Registered young players	Total
Book value	251,308	7,587	1,057	492	260,444
Accumulated amortisation	(134,771)	(2,087)	-	(168)	(137,026)
Allowance for doubtful accounts	(5,323)	-	-	-	(5,323)
Balance at 30/06/2012	**111,214**	**5,500**	**1,057**	**324**	**118,095**
Investments	**35,612**	**31,424**	**-**	**1,212**	**68,248**
Disinvestments (gross)	*(31,554)*	*(2,393)*	*(736)*	(49)	*(34,732)*
Use of accumulated amortisation	*14,793*	*479*	-	27	*15,299*
Use of allowance for doubtful accounts	*3,726*	-	-	-	*3,726*
Disinvestments (net)	**(13,035)**	**(1,914)**	**(736)**	**(22)**	**(15,707)**
Amortisation	**(41,439)**	**(6,431)**	**-**	**(318)**	**(48,188)**
Write-down	**(3,226)**	-	-	-	**(3,226)**
Reclassifications	**3,338**	**(3,477)**	**169**	**(30)**	-
Balance at 30/06/2013	**92,464**	**25,102**	**490**	**1,166**	**119,222**
Book value	259,498	32,261	490	1,593	293,842
Accumulated amortisation	(162,211)	(7,159)	-	(427)	(169,797)
Allowance for doubtful accounts	(4,823)	-	-	-	(4,823)
Balance at 30/06/2013	**92,464**	**25,102**	**490**	**1,166**	**119,222**

Figure 4-6 Juventus FC, note of player registrations (Juventus Football Club S.p.A., 2013. p. 101)

Amounts in thousand of Euro Player name	Historical cost at 30/06/2013	Accumulated amortisation and depreciation at 30/06/2013	Remaining book value at 30/06/2013
First Team	206,030	119,482	86,548
Other professional players	60,738	40,489	20,249
Player-sharing agreement	490	-	490
Other player-sharing agreement payable	14,345	3,576	10,769
Registered young players	1,593	427	1,166
Players not included in the technical project, but still on the payroll for the 2012/2013 football season	10,646	10,646	-
Players' registration rights, net	**293,842**	**174,620**	**119,222**

Figure 4-7 Juventus FC, player registrations in respective sector (Juventus Football Club S.p.A., 2013. p. 99)

The minimum requirements of gross carrying amount, accumulated amortization, additions and disposals are divided into Professionals, co-owned players and registered young players (figure 4-6). The breakdown of different player contracts are not required information from UEFA or IASB, but additional information given by Juventus FC. As seen in figure 4-7, Juventus presents a summation of the respective teams ending up in the net value of player registrations for the club. Additions and disposals, which are named investments and disinvestments in the financial report by Juventus FC, are

presented in detail. Together they cover two pages where 'definitive acquisitions', 'player-sharing acquisitions (50%)' and 'Termination of player-sharing agreements in favour of Juventus' are presented in detail. Likewise, a detailed presentation of disinvestments is presented with names, prices, net book value and profit and loss effect due to the disposal.

Juventus FC reports every single contract individually. Figure 4-8 is a snapshot from note 8 showing a sample of six player registrations reported individually. The reader of the financial report get information of historical cost, accumulated amortization, remaining book value at the end of the financial year and information regarding the current contract.

Amounts in thousand of Euro Player name	Historical cost at 30/06/2013	Accumulated amortisation and depreciation at 30/06/2013	Remaining book value at 30/06/2013	Contract term	End of contract
Anelka Nicolas Sebastien	200	200	-	6 months	30/06/13
Asamoah Kwadwo (player-sharing agreement payable)	8,568	1,713	6,855	5 years	30/06/17
Barzagli Andrea	711	518	193	3 years	30/06/15
Bonucci Leonardo	15,232	7,433	7,799	5 years	30/06/17
Buffon Gianluigi	52,884	51,455	1,429	3 years	30/06/15
Pogba Paul	1,635	409	1,226	4 years	30/06/16

Figure 4-8 Juventus FC, presentation of individual player contracts (Juventus Football Club S.p.A., 2013. p. 99)

The Italian international Gianluigi Buffon is the most expensive investment in the current squad (Juventus FC Annual Financial Report, 2013). The financial report unveils the historical cost at 52.884.000,00€, but also the remaining book value of 1.429.000,00€. It means 97,3% of the investment is already amortized and now represent a low percentage of the total value of player registrations. It is not only first team players unveiled in the annual report, but also the reader can extract other professionals and player sharing agreements.

The last page of the financial note regarding player registrations covers expenditures to FIFA agents, which is cost related to transfers. As can be seen in figure 4-9, names and associated cost are disclosed.

The balance of players' registration rights, totalling € 119,222 thousand, includes capitalisation of compensation to FIFA agents, related to services provided for the Transfer Campaigns, for an outstanding amount of € 3,127 thousand (of which € 2,258 thousand capitalised during the year). The breakdown is shown below.

Amounts in thousands of euro	Auxiliary expenses for FIFA agents	
Player acquired	Capitalised in 2012/2013	Remaining book value at 30/06/2013
Anelka Nicolas Sebastien	200	-
Audero Mulyadi Emil	10	7
Barzagli Andrea	-	18

Figure 4-9 Juventus FC, disclosure of FIFA agent costs (Juventus Football Club S.p.A., 2013. p. 104)

4.5 FC Porto

Looking at accounting procedures and disclosure of information, FC Porto discloses values and information on transfers made (see figure 4-10).

Player	Economic rights percentage	Acquisition date	Vendor	Contract end date	Acquisition cost	Signatue bonuses	Additional expenses	Total acquisition cost
Jackson Martinez	100%	Jul-12	Club Jaguares de Chapas	Jun-16	8.887.453	-	750.000	9.637.453
Diego Reyes	95%	Dez-12	Club de Futbol América	Jun-18	7.000.000	517.320	2.092.320	9.092.320
Herrera	80%	Mai-13	Pachuca Club de Fútbol	Jun-17	8.000.000	700.000	1.000.000	9.000.000
James Rodriguez	35%	Jan-13	Gol Football Luxembourg	Jun-16	8.750.000		-	8.750.000
Hector Quiñones	100%	Ago-12	Asociación Deportivo Cali	Jun-16	1.982.396	-	99.120	2.081.516
Ricardo Pereira	80%	Abr-13	Vitória Sport Clube	Jun-18	1.600.000		100.000	1.700.000
Licá	60%	Mai-13	Estoril Praia	Jun-17	1.500.000		150.000	1.650.000
Mauro Caballero	100%	Jan-13	MHD, S.A.	Jun-18	1.531.863		-	1.531.863
Others	-	-	-	-	-		-	5.274.516
								48.717.668
							Discounting effects to NPV	(2.208.114)
							Carrying amount	46.509.554

Figure 4-10 FC Porto, detailed disclosure of transfers (FC Porto Holding, 2013. p. 54)

Presented in figure 4-10, not only the total cost of the player is presented. Information about dates, contract length, bonuses and additional expenses are disclosed. Additional expenses refer to expenses related to player transfers, including agent fees, legal services and sign-on bonuses. Also, FC Porto has divided acquired players in brackets of total transfer cost (figure 4-11).

Carrying amount of players registrations	30.06.2013 Number of players	30.06.2013 Amount	30.06.2012 Number of players	30.06.2012 Amount
Greather than 2 million Euro	12	59.667.316	15	88.662.332
Between 1 and 2 million Euro	6	8.568.576	3	4.221.154
Less than 1 million Euro	19	7.923.006	23	6.371.843
	37	76.158.898	41	99.255.329

Figure 4-11 FC Porto, acquired players in brackets (FC Porto Holding, 2013. p. 58)

FC Porto categorizes players in three levels including information of number of players belonging to the specific category and the total amount for two consecutive years. Also, additional information about respective player registered with the club is presented (figure 4-12).

Player	30.06.2013 Players' registrations (%)	30.06.2013 End of contrat	30.06.2012 Players' registrations (%)	30.06.2012 End of contrat
Danilo	100.0%	Jun/16	100.0%	Jun/16
Herrera	80.0%	Jun/17	-	-
Jackson Martinez	100.0%	Jun/16	-	-
Alex Sandro	100.0%	Jun/16	100.0%	Jun/16
Diego Reyes	47.5%	Jun/18	-	-
Defour [(b)]	56.7%	Jun/16	56.7%	Jun/16

Figure 4-12 FC Porto, additional information compared to minimum requirements (FC Porto Holding, 2013. p. 59)

However, only information about length of contract and percentage owned by the club is presented. Amortization and current value of each individual player are not presented, only disclosed as a lump sum (figure 4-13).

	Intangible assets - 'Players' registrations	
	30.06.2013	30.06.2012
Gross cost:		
Opening balance	156,767,366	132,662,263
Acquisitions	46,509,554	64,274,219
Sales	(71,235,609)	(24,572,711)
Transfers (Note 9)	(2,883,182)	(1,773,200)
Write-offs	(8,368,700)	(14,644,985)
Regularizations	-	821,780
Closing balance	120,789,429	156,767,366
Accumulated depreciation and impairment losses:		
Opening balance	57,512,037	42,888,342
Depreciation (Note 26)	26,225,716	32,355,147
Impairment losses (Note 26)	300,842	3,988,349
Sales	(3,988,349)	(7,850,840)
Transfers (Note 9)	(28,090,273)	(1,108,250)
Write-offs	(1,596,314)	(13,647,560)
Regularizations	(5,733,128)	886,849
Closing balance	44,630,531	57,512,037
Carrying amount	76,158,898	99,255,329

Figure 4-13 FC Porto, total player registrations (FC Porto Holding, 2013. p. 60)

4.6 Additional disclosure information

Looking at how the clubs disclose additional information, both differences and similarities have been found. Each club state which accounting standard used, and all but Arsenal (UK GAAP) uses IFRS. All clubs provide additional information and explanations on their balance sheet. Differences have been found in how many periods each club has choose to include. Arsenal, Juventus and Porto show the current and previous fiscal year while Dortmund and Manchester United present figures for two consecutive periods. Looking at how many pages each club devotes on disclosing figures of player registrations, substantial differences are found. Juventus present seven pages relating to player registrations while Porto present six. The other three clubs only devote about one page each. Number of pages also differs when looking at the total length of the financial report. The shortest (Arsenal) is 66 pages long, while Manchester United present a staggering 902 pages in their financial report. All clubs, except Porto, has chosen to include comments on FFP and how they are working with these new rules. Arsenal FC, Juventus FC and Borussia Dortmund present additional information, excluding rules and regulations, on youth development.

4.7 Purchased vs. Home-grown/Free agents

As UEFA only allow purchased players to be capitalized on the balance sheet, these players solely represent the intangible assets (excluding goodwill) of each club. Figure 4-14 is an assembly of respective first team squads, where the blue pile represents capitalized players. The red pile is either home-grown players or free agents with no cost of acquisition, hence no option to capitalize the contract. However, home-grown players represent a substantial part of players registered with each club (figure 4-14). These players are not considered intangible assets, but if sold, they would generate income to the club. Figures of home-grown players with regard to total registered players range from 12,90% (Juventus) to 41.38% (Dortmund).

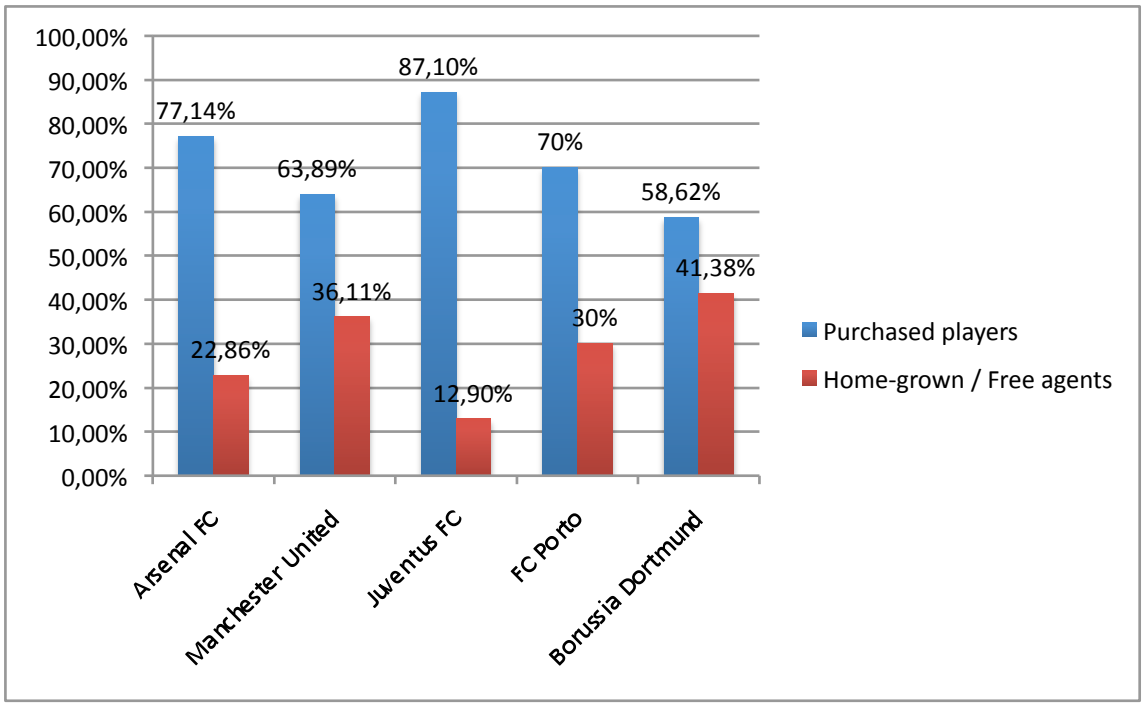

Figure 4-14 Purchased vs. Home-grown/Free agent players for respective club.

4.8 Interviews

The professional opinion on how clubs account and disclose information about player registrations has provided valuable insights. Consistency is considered utmost important and the possibility to compare clubs to each other is of high focus (Gozzi, Stenson, Thorpe & Sahlström, Personal communication 2014). Harmonization and a high degree of transparency would be beneficial for all stakeholders. The problem however, is football clubs operate on a different arena compared to "regular" businesses. The reason why some clubs only disclose the minimum required information could be due to competition, media and fans (Stenson & Thorpe, Personal communication, 2014). As football is a competitive business, and clubs compete with each other, they may be reluctant to share valuable information such as price and agent fees to other clubs. Confidentiality agreements, sometimes included in transfer of player registrations, can be one reason why some clubs do not disclose full information of player contracts (Sahlström, Personal communication, 2014). Also, being heavily targeted by media, some clubs may not want to be a subject for a debate regarding spending in this area of the business (Stenson & Thorpe, Personal communication, 2014).

Looking at the possibility of capitalize youth players and free agents on the balance sheet, it would be good as the risk of hidden values would decrease (Gozzi, Personal communication, 2014). However, with today's accounting rules and regulations there is no immediately clear way of doing so (Stenson and Thorpe, Personal communication, 2014). It has to be a unified model ensuring comparability and not generating too much volatility of the clubs' assets (Stenson & Thorpe, Personal communication, 2014). Also, the market value of a player is highly volatile as it is depends on a range of factors, such as current form, injuries and the financial status of the involved parties in a transaction (Stenson & Thorpe, Personal communication, 2014). By using the historical cost, it is ensured clubs are following the same method and volatility is minimized (Stenson & Thorpe, Personal communication, 2014).

The balance sheet value of player registrations is considered to be somewhat irrelevant, as it does not show the actual value of the player, and as mentioned before, acknowledged in the financial statements of Arsenal FC. Even though these hidden values could be seem as providing an incomplete picture of the financial status of the clubs, it is considered to be the "least worst" option as there is currently no more

reliable way of measuring the value of a player (Stenson & Thorpe, Personal communication, 2014).

5 Analysis

In this chapter, empirical findings will be analyzed and connected to the theoretical framework presented in chapter two.

A football club is not an ordinary organization where the main focus is to generate economic return to its owners (Bose, 1999; Morrow, 2003). Football clubs act in a grey zone, where economic success and sporting success are two different targets in need of treatment by top management. The empirical findings show all clubs in the sample use the same method regarding capitalization of football player contracts. However, the disclosure of financial information differs substantially as some clubs present more detailed information while others only present the minimum requirements set by UEFA and IASB.

Disclosure of player registrations from respective club differentiates a lot. The discussion by Soderstrom and Sun (2007), about the variation of accounting quality is highly relevant since the level of disclosure from respective club are significantly different; from a minimum disclosure by Arsenal FC, Manchester United and Borussia Dortmund to an in-depth disclosure by Juventus FC and a more detailed by FC Porto. The overall situation is not in line with IASB's guidelines regarding 'Presentation of Financial statements' (IAS 1), where the objective is to provide information, which is comparable, and to communicate the current situation of the company (Mallin, 2013). Since financial statements shall be a base for economic decisions (IASB, 2012), different levels of disclosure by clubs create inequalities for stakeholders.

One clear example is Juventus FC choose to disclose registered players individually with information of price, amortization and current value. This type of information is required to be provided to the auditor, but each club can choose to include it in the financial report (UEFA, 2012a). It is an significant difference compared to Arsenal FC, Manchester United and Borussia Dortmund, only disclosing the total value of player registrations as a lump sum. As UEFA does not demand a unified disclosure it makes it harder for investors to understand the information provided by the clubs, which is in line to what Healy, and Palepu (2001) argues.

5.1 Capitalization of player registrations

One might think the valuation and capitalization of football players represent the value of the player. As football players are the most important asset of a football club (Cooper, 2013) and the abilities of the players explain why some clubs are more successful than others (Conner, 1991), makes it is easy to consider it human resource accounting. However, it is only the contract binding the player to a certain club for a specific period being capitalized. So it is not question of capitalizing human resources but instead contractual or legal rights are of focus (IASB, 2012).

Regarding capitalization of player registrations, rules and regulations from UEFA are followed and all clubs use the historical cost method, which is in line with IAS 38. Contracts are capitalized using the cost of the acquisition (including transfer related fees) and amortized according to the straight-line method, based on the length of the contract.

According to IAS 38, in order for an intangible asset to be capitalized the cost need to be measured reliably and it has to be certain the asset will generate future economic benefits for the entity (IASB, 2012). Costs related to individual home-grown players are hard to measure as there are no transfer fee and thereby not complying with the criteria for capitalizing intangible assets according to IAS 38. Also, it is difficult to know if the home-grown player will be used in the first team and thereby generating future economic benefits for the club by playing games. Due to this uncertainty and according to IAS 38, the player cannot be capitalized as an intangible asset.

UEFA has stated demands in their guidelines for European football regarding domestic and home-grown player representation in each club. However, there is no accounting option to capitalize talent developed within the youth sector, although the requirements of home-grown players are set by UEFA (UEFA, 2012a). In order to interlink the accounting practice and the demand of investing in the youth sector, it should be possible to capitalize investments made (Gozzi, personal communication, 2014). This would benefit the youth development since investments could be expensed over time, as well as the accounting quality since possible hidden values would diminish. According to IAS 38, an entity's cost system can often measure reliably the cost of an internal intangible asset - for example the salary cost developing the asset (IASB, 2012). It means clubs should be able to measure the total cost of their respective youth sector and

be able capitalized it as an asset.

5.2 Fair value accounting

According to Laux and Leuz (2009), historical cost accounting is likely to create hidden reserves. Fair value is '*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date*' (IASB, 2012, p. B907). Schipper (2005) recognizes the effect of increased volatility using market value accounting instead of historical cost, but the measurement of an assets will be closer to the price if it were to be in a transaction between market participants = fair value. Accounting professionals interviewed favour market value accounting, but due to high risk of volatility, it is not preferable for football clubs as there are no acceptable valuation measurement of players.

As figure 4-14 shows, purchased players in the first teams range from 87.10% to 58.62%. The rest (12.90% - 41.38%) are either home-grown or free agents, which thereby are not capitalized assets on the balance sheet. These figures shows significant unaccounted assets in European football clubs, and if sold, unveiling hidden values worth millions of Euros (€). Arsenal FC is the only club in the sample acknowledging the difference between capitalized value and market value. In their financial report a statement is made considering the capitalized value is significantly less than the market value (see figure 4-3). It is interesting as it is in line with what Schipper (2005) states about fair value.

At the end of a contract, clubs have three choices. They can sell the player before the end of the contract, offer a new or let it expire. The two first alternatives usually result in hidden values as the original amount has already been amortized by a certain number of periods. If sold, a profit or loss is registered on the cost account (amount received deducted with the remaining value of the original contract). If the contract is extended, the amortization of the current value is only extended to the end-date of the new contract. It is done without taking market value, age, enhanced abilities and reputation of the player into consideration.

As UEFA's rules and regulations lack revaluation options when extending a contract, it generates a gap between the market value and the book value. Players under contract

with a club, home-grown or acquired, are probably as likely to be sold on the transfer market. However, if sold, a player developed through the clubs' youth sector will generate an income hidden until realization. The same applies to players who have extended their contracts as the book value generally is lower compared to the market value.

An on hand example is the capitalization of Paul Pogba on the balance sheet of Juventus FC. The French international is considered one of the most talented young players in top European football and received the *Golden Boy Award 2013*, given to the best under 21-player in European football (Juventus FC, 2013; Goal.com, 2013). He left Manchester United for Juventus FC on a free transfer prior to the season 2012/2013. The initial capitalization on Juventus FC balance sheet was €1.635.000,00, which is a sign-on bonus and the agent costs related to the signing of a four year contract with the club. Multiple sources (Doyle, 2014; talkSPORT.com, 2014; supersport.com, 2014) have during the beginning of 2014 communicated clubs like Paris Saint-Germain, Bayern Munich and Real Madrid are willing to acquire Pogba at the cost of €45.000.000,00 - €70.000.000,00. It means if Pogba was to be sold, a hidden value of more than €40.000.000,00 would appear.

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Amounts in thousand of Euro Player name	Historical cost at 30/06/2013	Accumulated amortisation and depreciation at 30/06/2013	Remaining book value at 30/06/2013	Contract term	End of contract
Pogba Paul	1,635	409	1,226	4 years	30/06/16

Figure 5-1 Juventus FC, Capitalization of Paul Pogba (Juventus Football Club S.p.A., 2013. p. 99)

This is a single case, but exemplifies the lack of fair value accounting in today's accounting of player registrations. It is line with the argument by Lonergan et al., (2000), that amounts will be reduced due to lack of revaluation options and the demand of amortization over a definite time period.

Freeman (2011) discuss if profitability and return to investors are the only measure for success, or if it could include a wider perspective. This is a valid thought in football economy where economic stability is essential but trophies are what every fan dream about. Mallin (2013) argues financial statements shall serve as a declaration how management have used its resources provided by principals, and as Inwinkl, Wallman

and Josefsson (2013) argues, valid information shall be given to promote trust for its stakeholders. Juventus FC and FC Porto communicate additional information compared to the three other clubs in the sample. Detailed disclosure enables potential investors to analyze the current situation for the club, and due to the risk of hidden values around player registrations, financial statements can be a useful tool for qualitative analysis.

In order to be successful, Freeman (2010) argues companies need to consider a wider group of stakeholders and by that, new business opportunities can evolve creating a long-term stability. Open communication via well disclosed corporate documents, as Juventus FC and FC Porto does, increases transparency and thereby enhance trust by stakeholders. Opposite to well-disclosed information, Arsenal FC, Manchester United and Borussia Dortmund leave questions unanswered resulting in unqualified financial information regarding player registrations. This is contrary to the purpose of IAS 1 where financial information shall be a base for economic decisions and should be comparable between market participants (IASB, 2012).

Even though comparability is considered important in an accounting perspective and by accounting professionals interviewed, by reviewing how respective club present information regarding player registrations, one can see clear differences. All clubs present the minimum required information, indeed making it easy to compare on a certain level. However, as some clubs disclose more information, it makes comparability on a broader extent impossible, as this information cannot be found in all clubs. By using the current minimum required information stated in IAS 38 and by UEFA, clubs may increase reliability, but as Lonergan et al., (2000) argues, it may also decrease the relevance of the financial report.

6 Conclusion

In this chapter, we fulfil the purpose of answering the research questions. Conclusions are phrased in a concise manner in order to clearly communicate our standpoints. Also, reflections and further studies are presented.

The purpose was to investigate current accounting procedures of football player registrations and if they present a true and fair view of top European football clubs finances. In order to reach a conclusion, we had to investigate what kind of financial information given for player registrations and how harmonized the procedures are among the clubs of choice. Through the process of writing, we have gained qualified understanding and knowledge about the topic of interest, which have led to the capability of answering the research questions.

Capitalization procedures of player registrations are harmonized and all clubs use the historical cost and straight-line depreciation model. However, what kind of information presented to respective share- and stakeholders differs significantly. Lack of revaluation possibilities when re-signing a contract and no possibility to capitalize home-grown or free agents, leads to potential hidden values. Low requirements of disclosure by UEFA generate unqualified information in the financial statements, which makes it more difficult for potential investors to make their own analysis of the situation.

The presentation by Juventus FC and FC Porto increases the chance for individual investors to analyze the situation in order to assess the combined value of contracts. On the other hand, a low level of disclosure by clubs such as Arsenal FC, Manchester United and Borussia Dortmund leaves too many unanswered questions and we consider it to be contrary to the objective that financial statements shall be a base for economic decisions, communicate current financial status and also be comparable between market participants.

Due to lack of revaluation options, we conclude current accounting procedures of player registrations does not reflect the true and fair financial status of the club, since the market value of players under contract is likely to significantly exceed the book value of the registered players. Also, there is no possibility to capitalize home-grown/free agents

on the balance sheet, and as shown, these players represent a substantial percentage of total players under contract. If sold, these players will generate hidden values not foreseeable by potential investors. With well-disclosed information, it can be avoided, as investors are more able to make a correct and qualified analysis due to more available information.

6.1 Discussion

The main problem determining the fair value of football players as assets is clubs only capitalize the cost of acquiring the contract. The aim of this method is the contract should be valued at zero at the expiration date. It is reasonable in an accounting point of view, as the player is considered a free agent after the contract has expired, but more complex questions are to consider. As clubs only capitalize the value of the contract at each specific period, the real value (market value) of the player is not taken into consideration. Market value accounting of assets are of high importance in today's international accounting and current treatment of player registrations can be considered contrary to modern accounting procedures. Questions arise on whether or not straight-line amortization is the best way to go as it, according to us; do not generate a true and fair view of the value of the player.

One might argue the value of player registrations capitalized on the balance sheet is irrelevant, as it does not present the current value of the player if he was to be sold. It presents the current value of the contract if the player was to remain at his current club until the expiration date. Therefore, a revaluation model would be suitable, especially when extending a contract, in order to diminish potential hidden values and present a more true and fair view of the intangible assets.

It ultimately leads to the question why some clubs disclose more information compared to others? As mentioned, stakeholders would generally benefit of a more transparent accounting system. However, some clubs may be reluctant to disclose this kind of information due to the competitive level of the business. But, as all clubs in the sample compete on the same level and some have chosen to disclose a more substantial amount of information, it cannot only be related to the competitive side. Different media culture and media coverage may be one reason why some clubs are reluctant to share more information than required, in order to not be a subject for a debate. Different business

culture, previous events and different professional opinions may also be why there is a difference in the amount of information disclosed.

6.2 Reflections and suggestion for further studies

Due to shortage of time we have not been able to fully investigate all issues discovered. We would have, for example, wanted to interview officials from each club in order to get their view on the subject. But as our clubs of choice are located across Europe and our contacts within the football industry are very limited it could not be arranged. In order to enhance validity and credibility we have instead interviewed people with professional insight, and used our contacts within the accounting business to arrange them. Both people in Sweden and in the UK were interviewed, as we wanted to get as diverse opinions as possible.

Even though the sample of choice only consists of five clubs, the research shows clear differences in how clubs present and disclose the values of player registrations. We conclude current accounting procedures does not present a true and fair view of the clubs finances.

During our research we have discovered several questions and problems in need of answering. In order to capitalize home-grown/free agents, we think it would be interesting to see if an alternative valuation/capitalization model could be created, and what effect it would have on the balance sheets of the clubs. Also, higher demands of more complete disclosure by the clubs are needed in order to provide investors with more accurate information. It is unarguable a decision that should be made by UEFA in order to enhance comparability and transparency.

In order to present a more fair value of the players, a revaluation model would need to be created as the market value differs substantially from the book value. However, such a model would most likely lead to higher volatility of the clubs assets. Another problem with creating a revaluation model would be to decide the market price for the player. Even though an active market exist, it is impossible to know the actual value of the player as it involves too many features, such as: reputation, form, age, abilities and the financial status of the selling/buying club. However, with today's technology, including statistical data of almost everything a player does on the pitch (such as: passing stats,

goals and areas covered) we think it might be possible to use it to create some kind of valuation model.

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7.1 Corporate documentation

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1. Questions used during interview with Erik Gozzi, Deloitte Sweden

Location: Deloitte AB Headquarter, Stockholm
Date: Februari 17, 2014
Duration: 70 minutes

1. How long have you worked at Deloitte and Sport Business group? Past experiences?

2. A financial statement shall provide a true and fair view over the entity's assets, liabilities and equity. With this in mind, is it reasonable to present intangible assets in a lump sum as these assets are a substantial part of total assets?

3. What do you think about UEFA's rules and regulations and the Financial Fair Play? Is it possible to create a harmonized accounting system for football clubs?

4. Looking at how much information each club present in the notes of their respective financial statement, some present each acquired player while others only present a lump sum. Which is better?

5. When it comes to valuation of players. Should not a unified system exist for valuation of home-grown players in order to activate them on the financial statements?

6. Should not all financial reports be presented in english?

7. Could there be any underlying motives on why some clubs do not present some information to the public?

8. Do any specific models for valuing players exist?

9. How are depreciations done?

10. As the football industry is special, shall not UEFA introduce a more unified and harmonized accounting system?

11. With current rules, are there economic differences which benefits certain clubs?

2. Conference call with Chris Stenson and Alexander Thorpe, Deloitte UK

Location: Conference call, Jönköping (SWE) – Manchester (UK)
Date: April 1, 2014
Duration: 40 minutes

1. Name, profession and current workplace?

2. How long have you worked with accounting for football clubs?

3. Regarding capitalization of football player contracts, what do you think about current procedures?

4. We have discovered that clubs disclose different amount of information regarding player registrations, some presents the value of players individually while others presents the contracts as a lump sum. Why do you think it is like that and what effect does it have?

5. A financial statement shall provide a true and fair view over the entity's assets, liabilities and equity. With this in mind, is it reasonable to present intangible assets (player registrations) in a lump sum as these assets are a substantial part of total assets?

6. Do you think current accounting procedures provide a true and fair view of clubs' player registrations?

7. UEFA does not allow capitalization of internal intangibles (youth players and free agents). Do you know why and should it not be a way of doing so?

8. Due to current accounting procedures, we have discovered unaccounted assets in all of our clubs. Paul Pogba is one example (see attached example). What effect does it have on investors and other stakeholders, and frankly, how can it be allowed?

9. How do you think improvements can be made in order to diminish the hidden values of todays' clubs?

10. What do you think about UEFA's rules and regulations and the Financial Fair Play? Is it possible to create a harmonized accounting system for football clubs?

3. Questions to Kjell Sahlström

Communication via e-mail.

1. Name, profession and current workplace?

2. How long have you worked with economics of football?

3. We have identified differences in how clubs disclose and present information about player registrations. Juventus FC and Porto show the book value, amortization, and length of contract individually for each player while Arsenal, Manchester United and Dortmund only disclose a lump-sum. What do you think regarding these differences? Why do some clubs disclose with a high level of transparency while others do not?

4. What is your opinion of hidden values (see attached example of Paul Pogba)? Should not the rules be more explicit and/or should not alternative valuation models exist? As when extending a contract, should it not revaluation be possible?

5. Regarding youth players. Should it not be possible, using the same argument presented in previous question, to capitalize the value in order to diminish potential hidden values?

6. As UEFA place demands of registering a certain amount of home-grown/youth players in order to participate in European tournaments, but there is no way of activating their value on the balance sheet. Should it not be possible to capitalize the value in order to interlink it with the stated demands.

4. Scoreboard

	Arsenal FC	Juventus FC	Manchester United	FC Porto	Borussia Dortmund
1. Each class of intangibles disclosed separately	Yes	Yes	Yes	Yes	Yes
2. Gross carrying amount for beginning and end of each fiscal year	Yes	Yes	Yes	Yes	Yes
3. Accumulated amortization for the beginning and end of each fiscal year	Yes	Yes	Yes	Yes	Yes
4. Additions	Yes	Yes	Yes	Yes	Yes
5. Disposals	Yes	Yes	Yes	Yes	Yes
6. Impairment	Yes	Yes	No	Yes	Yes
7. Is it stated which accounting standard the club uses	Yes	Yes	Yes	Yes	Yes
8. Accounting standard used	UK GAAP	IFRS	IFRS	IFRS	IFRS
9. Player registrations disclosed individually	No	Yes	No	Yes	No
10. Agent fees included separately	No	Yes	No	Yes	No
11. Number of accounting periods	1	1	2	1	2
12. Player registrations separated by classification. Such as first team, youth..	No	Yes	No	No	No
13. Additional comments	Yes	Yes	Yes	Yes	Yes
14. Number of pages in notes regarding player registrations	1	6	1	7	1
15. Information of Club sector Youth development, excluding rules and regulations	Yes	Yes	No	No	Yes
16. Comment on Financial Fair Play	Yes	Yes	Yes	No	Yes
17. Number of pages annual report	66	158	902	145	160
1-7 Mandatory disclosure in accordance to UEFA					
8-17 Other identified disclosure parameters					

The scoreboard was used to point out similarities and differences in how and what the clubs present in their financial statements, starting with mandatory disclosure followed by other identified information parameters. The information acquired was used as the base of our empirical findings and thereafter analyzed.